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**KISMET MINING  
CORPORATION LTD. (N.P.L.)  
ANNUAL REPORT**

FOR THE PERIOD ENDED JULY 31, 1969





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**ANNUAL  
GENERAL  
MEETING**

Queen Anne Lounge,  
Hotel Georgia,  
Vancouver, B.C.

January 30th,  
1970, 2:30 p.m.  
Vancouver Time

**DIRECTORS**

B. O. Brynelsen, Vancouver, B.C.  
M. E. Davis, Vancouver, B.C.  
J. Austin, Vancouver, B.C.  
M. M. Menzies, Vancouver, B.C.

**OFFICERS**

B O. Brynelsen, President  
M. E. Davis, Vice President  
J. Austin, Executive Vice President  
D. R. Fitzpatrick, Vice President & Secretary  
S. B. Slyn, Vice President & Treasurer

**HEAD OFFICE**

#1201 - 1177 West Hastings Street, Vancouver 1, B.C.

**REGISTERED OFFICE**

17th Floor — 1177 West Hastings Street, Vancouver 1, B.C.

**AUDITORS**

Rose, Gale & Co., Vancouver, B.C.

**SOLICITORS**

Shulman, Tupper, Worrall, Jonsson & Laxton, Vancouver, B.C.

**REGISTRAR & TRANSFER AGENT**

Guaranty Trust Company of Canada, Vancouver, B.C.



## **REPORT OF THE BOARD OF DIRECTORS**

A number of properties have been examined since the last Annual Report and in result we have two excellent properties for the 1970 program, the Hornet Creek copper property in Idaho and the Molly M molybdenum property in Colorado. Two properties on which Kismet has previously done work, the Nixon silver property in Idaho and the Rockhouse uranium property in Utah have been optioned to others who plan programs for 1970.

Details of the company's property holdings are as follows:

### **Idaho—Nixon, Hercules & Point Six Claims**

By an option agreement dated October 16th, 1969, Kismet granted to Curwood Mining Company a sub-lease and assignment of Kismet's option to purchase certain claims in Washington County, Idaho. An initial payment of \$5,000.00 U.S. was received by Kismet upon execution of this agreement, and in addition to Curwood Mining Company assuming the annual minimum royalty payments to be paid to Nixon Ranch Inc., Curwood is to pay to Kismet a royalty of 5% of all the net returns received from the sale of all ores, minerals, etc., extracted and produced from the subject property. These royalty payments to Kismet are to commence only, and immediately after, completion of the obligation to make royalty payments on production to Nixon Ranch Inc. The payments are to continue only until such time as a full purchase price of \$300,000.00 U.S. has been paid by Curwood Mining Company to Kismet Mining Corporation Ltd. (N.P.L.).

Curwood is committed to pay to Kismet as advance minimum royalties the sum of \$300.00 per month for one year from April 16th, 1970, then for a period of 10 years from April 16th, 1971 Curwood is to pay Kismet \$500.00 each month. If the agreement is terminated however, the obligation of Curwood to pay the minimum royalties shall cease on the effective date of such termination. Curwood is also obliged to perform the annual labour or assessment work, by law, to be done on the aforesaid properties.

### **Utah—Uranium**

By an option agreement dated August 22nd, 1969, Kismet granted to Jay Bettles of Denver, Colorado, the option to acquire all of Kismet's interest in the Rockhouse/Kismet/Shirley claims in the Henry Mountain Mining District, Garfield County, Utah.

Under this agreement Jay Bettles was required to perform all of the assessment work required on these claims prior to September 1st, 1969, and to make all payments necessary to keep the claims in good standing to September 1st, 1970. In addition, Jay Bettles is required to make the following payments to Kismet:

1. The sum of \$7,500.00 on or before August 15, 1970.
2. The sum of \$12,500.00 on or before August 15th, 1971.
3. The sum of \$10,000.00 on or before August 15th, 1972.

In addition to the aforesaid payments Kismet is entitled to receive a royalty of 2% of the gross income received from the sale of



yellowcake ( $U_3O_8$ ) produced from ore mined from the claims. While each of the Nixon silver property and the Rockhouse uranium property are attractive exploration targets, it is the opinion of the Directors that the current financial status of Kismet did not lend itself to taking on the necessary programs and accordingly options were arranged to allow development work to continue for which Kismet would benefit.

#### **Idaho—Copper**

This property, owned by Kismet, is located in South-western Idaho. It was subjected to an examination by R. H. Janes of Chapman, Wood & Griswold Ltd. in early December, 1969. The following is a reproduction of the conclusions and recommendations section of Chapman, Wood & Griswold's report on this property dated December 1969.

- "1. A quartz porphyry stock, approximately 1200 feet in diameter, exhibits certain features characteristic of breccia pipes. These are:
- a) a contact breccia composed of country and transported rocks, comminuted material, tourmaline, specularite and sulphides in minor amounts,
  - b) a local peripheral breccia composed of quartz porphyry veined by tourmalinized quartz porphyry
  - c) nodular and blocky weathering of the quartz porphyry which suggests rolling and brecciation in its "plastic" state, and
  - d) a possible peripheral distribution of mineralized frac-

ture zones. A breccia pipe has not been clearly outlined inasmuch as the stock as a whole or only a portion of it may constitute the pipe.

2. Work to date has outlined significant copper oxide-sulphide mineralization in a fractured breccia zone at least 800 feet long, 50 to 100 feet wide and up to 400 feet deep. This zone may contain between one and two million tons of mixed copper oxide-copper sulphide bearing material grading between 0.3 and 0.8% total copper. It has a limited potential to produce cement copper utilizing a heap leaching process.
3. The environment is considered geologically favorable for the occurrence of a low grade bulk type copper deposit.
4. Further exploration of the lateral and depth extensions of the breccia zones is merited. A program of bulldozer stripping, geophysical work and diamond drilling is recommended."

R. H. Janes report was not received until mid-January and the Directors have not yet had an opportunity to act on the recommendations made in the report which will require arranging for financing totalling approximately \$100,000.00 in order to carry out proper examination of the property.

#### **Colorado—Molybdenum**

By an agreement dated October 15th, 1969, Kismet acquired an option on a group of claims known as the Molly M. 1-9, Molly M. 10, 18, 20, 22 and 23, as well as Grizzly 1-8 inclusive, all of which



claims are located in Chaffee County, in the State of Colorado. This option was entered into following a report of the property's potential by a member of the geological staff of Brameda Resources Limited. The agreement provides for the issue and allotment of 30,000 fully paid and non-assessable shares of Kismet, free of any escrow restrictions upon the approval of this agreement by the Vancouver Stock Exchange and by any other securities regulatory body having jurisdiction in that regard. If approval is obtained these shares are to be issued, 25,000 to Jay Bettles and 5,000 to F. W. Grauer, both gentlemen were formerly Directors of Kismet.

The cash consideration is \$11,500.00 U.S. on execution of the agreement, which amount has been paid, and in order to keep the option agreement in good standing the sum of \$2,000.00 U.S. on or before the 1st September in each of the years 1971-1975 inclusive. Subsequent cash payments are due at the rate of \$8,000.00 U.S. on the 1st day of September in each and every year thereafter during the term of the agreement and until commercial production has commenced. All of these payments are to apply to a total purchase price of \$2,400,000.00 U.S. with a royalty of 1% U.S. per ton on all ore mined from the claims to be paid out of production with a minimum annual royalty of \$8,000.00 U.S.

The Molly M properties are considered to be an excellent prospect for a large, low grade, open pit molybdenum development. The altitude of these properties precludes any examination for a qualifying report by a consultant until the late spring of 1970.

In September, 1969, Brameda Resources Limited acquired 596,000 shares of Kismet or approximately 31% of the issued stock and all of the proposed Board of Directors are also Directors of Brameda Resources Limited. Following the Annual Meeting discussions will be held with Brameda and with possible underwriters to obtain financing for the payment of obligations and to undertake a major program as recommended by Kismet's consultant.

The financial situation of the company as at July 31st, 1969, is as stated in the financial statements which form part of this report. Additional financial obligations by Kismet subsequent to the financial statement date and the audit date are as indicated in the foregoing description of the agreements entered into for the acquisition of properties.

Submitted on behalf of the Board,  
B. O. BRYNELSEN  
*President*

January 16th, 1970.

## EXHIBIT A

**CONSOLIDATED BALANCE SHEET AS AT JULY 31, 1969***(with comparative figures as at March 31, 1969 and April 30, 1968)***ASSETS**

	July 31, 1969	March 31, 1969	April 30, 1968
<b>CURRENT</b>			
Cash	\$ 40	\$ 2,256	\$ 610
Accounts receivable and advances (Note 1)	8,081	8,336	8,081
	<u>8,121</u>	<u>10,592</u>	<u>8,691</u>
<b>EQUIPMENT, at cost</b>	<u>383</u>	<u>383</u>	<u>383</u>
<b>MINING PROPERTIES AND OPTIONS (Note 2)</b>	<u>22,648</u>	<u>31,128</u>	<u>28,968</u>
<b>DEFERRED EXPENSES</b>			
Exploration, development and administration (Exhibit B)	250,444	251,096	221,316
Incorporation	1,666	1,666	1,666
	<u>252,110</u>	<u>252,762</u>	<u>222,982</u>
	<u>\$283,262</u>	<u>\$294,865</u>	<u>\$216,024</u>

**LIABILITIES**

<b>CURRENT</b>			
Accounts payable	\$ 5,550	\$ 4,851	\$ 15,244
Due to Combined Capital Resources Ltd.	29,299	31,232	—
Due to Brameda Resources Limited	311	2,200	—
	<u>35,160</u>	<u>38,283</u>	<u>15,244</u>
<b>ADVANCES BY SHAREHOLDERS</b>	<u>9,979</u>	<u>9,979</u>	<u>30,777</u>
<b>SHARE CAPITAL (Note 3)</b>	<u>246,603</u>	<u>246,603</u>	<u>215,003</u>
<b>DEFICIT: Cost of mineral claims abandoned</b>	<u>(8,480)</u>		
	<u>\$283,262</u>	<u>\$294,865</u>	<u>\$261,024</u>

APPROVED ON BEHALF OF THE BOARD:

B. O. BRYNELSEN, Director

M. E. DAVIS, Director



## EXHIBIT B

# **CONSOLIDATED STATEMENT OF DEFERRED EXPLORATION, DEVELOPMENT AND ADMINISTRATION EXPENSES**

for the four months ended July 31, 1969

(with comparative figures for the periods ended March 31, 1969 and April 30, 1968)

	July 31, 1969	March 31, 1969	April 30, 1968
<b>EXPLORATION AND DEVELOPMENT</b>			
Balance, beginning of period	\$ 208,096	\$ 191,373	\$ 93,505
General labour and supervision	(3,279)		35,632
Engineering and consulting		5,252	
Surveying, assaying and geological	457	5,922	5,296
Drilling		3,192	2,188
Loss on disposal of equipment, Machinery expenses and repairs			16
Payments on option agreements abandoned			1,620
Machinery rentals			20,709
Recording fees and staking		278	2,754
Mine supplies and expenses			28,378
Lease payments		320	320
Miscellaneous		1,759	238
Insurance			717
Balance, end of period	<u>205,274</u>	<u>208,096</u>	<u>191,373</u>
<b>ADMINISTRATION</b>			
Balance, beginning of period	43,00	29,943	24,446
Legal and audit	420	950	2,193
Travel		2,348	723
Interest	536	134	(129)
U.S. legal and accounting			1,419
Telephone and telegraph	43	69	283
Bank charges and exchange	597	96	198
Printing and photocopying	126	84	219
Miscellaneous	18	10	25
Transfer agency fees	114	617	546
Office rental and administration fee	316	8,749	
Balance, end of period	<u>45,170</u>	<u>43,000</u>	<u>29,943</u>
	<u>\$ 250,444</u>	<u>\$ 251,096</u>	<u>\$ 221,316</u>



## EXHIBIT C

**CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS**

(with comparative figures for the periods ended March 31, 1969 and April 30, 1968)  
for the four months ended July 31, 1969

	July 31, 1969	March 31, 1969	April 30, 1968
<b>SOURCE OF FUNDS</b>			
Net proceeds from sale of shares	\$ —	\$ 31,600	\$ —
Advances by shareholders			25,300
		<u>31,600</u>	<u>25,300</u>
<b>APPLICATION OF FUNDS</b>			
Exploration and development expenses	(2,822)	16,722	96,011
Administration expenses	2,170	13,058	5,476
Payments on option agreements		2,160	1,080
Repayment on a shareholder's advance		20,798	5,000
Purchase of mineral claims			8,480
	<u>(652)</u>	<u>52,738</u>	<u>116,047</u>
Increase (decrease) in Working Capital	652	(21,138)	(90,747)
Working Capital (Deficiency) beginning of period	(27,691)	(6,553)	84,194
Working Capital (Deficiency) end of period	<u>\$ 27,039</u>	<u>\$ 27,691</u>	<u>\$ 6,553</u>

**AUDITORS' REPORT**

To the Shareholders,  
Kismet Mining Corporation Ltd. (N.P.L.)

We have examined the consolidated balance sheet of Kismet Mining Corporation Ltd. (N.P.L.) as at July 31, 1969 and the consolidated statements of deferred exploration, development and administration expenses and source and application of funds for the four months then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the companies as at July 31, 1969 and the results of their operations and source and application of their funds for the four months then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

ROSE, GALE & CO.  
Chartered Accountants

Vancouver, Canada  
January 9, 1970



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at July 31, 1969

### 1. ACCOUNTS RECEIVABLE AND ADVANCES — \$8,081

The above balance arose from the sale of certain machinery to a mining syndicate in the State of Idaho, U.S.A. Payment of this amount is to be made out of production receipts from certain mining properties being developed by the syndicate.

### 2. MINING PROPERTIES AND OPTIONS — \$22,648

#### A. Mineral Leases

The company has issued 750,000 shares at a deemed price of 1c each for mineral leases in the State of Idaho, U.S.A. The leases provide for annual rental payments and royalty payments if the property is put into production. They expire in 1974.

#### B. Option Agreement

The company's wholly-owned subsidiary holds an option to purchase a mineral claim, certain mineral, gas and oil rights and a parcel of land in the State of Idaho, U.S.A. The full purchase price is \$150,000 U.S. The sum of \$14,500 U.S. has been paid and the balance of \$135,500 U.S. is payable by yearly instalments.

#### C. Mineral Claims

The company's wholly-owned subsidiary is the holder of 29 located mining claims in the County of Washington, State of Idaho and 168 located mining claims and an 80% interest in 13 located mining claims in Garfield County, State of Utah, U.S.A.

### 3. SHARE CAPITAL — \$246,603

Authorized 3,000,000 shares of 50c each par value

\$1,500,000

#### Issued and Fully Paid

For cash

For property

<i>Number</i>	<i>Par Value</i>	<i>Net Discount</i>	<i>Net</i>
1,146,005	\$ 573,003	\$ 333,900	\$ 239,103
750,000	375,000	367,500	7,500
<u>1,896,005</u>	<u>\$ 948,003</u>	<u>\$ 701,400</u>	<u>\$ 246,603</u>







